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SUBJECT: READOUT OF BRAZIL-EU SUMMIT, DECEMBER 22-23, 2008

SENSITIVE BUT UNCLASSIFIED

¶1. (U) Summary: Brazilian President Lula hosted the second European Union (EU) - Brazil Summit in Rio de Janeiro on December 22-23, 2008. The EU was represented by French President Nicolas Sarkozy and EU Commission President Jose Manuel Durao Barroso. The international financial and economic crisis was a central topic of discussion, with Brazil and the EU agreeing to cooperate towards a common position at the next G-20 summit meeting in London on April

¶2. (U) Sarkozy and Lula also signed a defense cooperation agreement and reached agreement to sell Brazil 50 military helicopters and five submarines, including one intended to be nuclear-powered. During the summit, Sarkozy expressed support for Brazil's bid for a permanent seat on the UN Security Council. End Summary.

EU-BRAZIL COMMON POSITION FOR NEXT G-20 SUMMIT?

¶2. (U) After a commercial roundtable, Presidents Sarkozy and Lula together with EU Commissioner Barroso met to discuss the developing EU-Brazil strategic partnership. Later, Sarkozy announced that they had agreed to take a common position dealing with the global financial crisis at the next G-20 summit in London on April 2. "We decided with President Lula that things must change and change profoundly...we decided to narrow our positions and arrive in London with a common vision, on the future role of the IMF, the system of management of financial institutions...we cannot allow a single financial institution to be uncontrolled or unsupervised," Sarkozy said. No further details were made available on the specific G-20 proposals they were considering. Based on a review of the released Summit declarations, it appears that Brazil and the EU have only committed to working together to address the crisis and develop solutions rather than to actually taking joint positions.

BRAZIL ACQUIRES MILITARY HARDWARE FOR NEW DEFENSE STRATEGY

¶3. (U) Lula and Sarkozy signed a \$11 billion arms deal which includes the transfer of technology from France to help build five submarines, including the hull of what Brazil hopes will be Latin America's first nuclear-powered submarine. Under the terms, France will build five submarines at a new shipyard to be built in Itaguai, an industrial zone near Rio de Janeiro. The deal also includes an agreement for Brazil to purchase 50 Sugar Cougar transport helicopters to be built by Helibras, Eurocopter's subsidiary in Brazil (Eurocopter is the helicopter subsidiary of European aerospace group EADS). The helicopters will be assembled in Itaguja, in the Brazilian state of Minas Gerais, and are expected to create 400 jobs.

¶4. (U) The military hardware deal comes one week after President Lula unveiled a comprehensive new defense strategy that would restructure Brazil's military and provide support for Brazil's defense industries. Last month during a visit to Brazil by Russian President Dmitry Medvedev, Brazil signed a deal to buy 12 Mi-35M attack helicopters. These purchases, however, were negotiated prior to the drafting of the new strategy paper.

OTHER AGENDA ITEMS

¶5. (U) The Summit addressed, more broadly, the desire of Brazil and the EU to develop a closer relationship. Sarkozy's public statement of French support for Brazil's bid for a permanent seat on the UN Security Council was well received. Additional agreements were signed on aerospace, the environment, and education. France and Brazil also agreed to cooperate on combating illegal gold exploration. They will also cooperate on new hydroelectric projects in the Amazon region.

COMMENT

¶6. (SBU) Though Sarkozy's comments referred to an agreement for a common G20 position, the official summit statements do not explicitly commit to a joint position. Rather, Brazil and the EU have committed to work together to address the crisis and develop solutions. The summit statements don't concretely commit money or launch any big initiatives, but promise to keep talking and looking at areas of common interest. Of note, however, is how differently Brazil approaches France and the U.S. The Brazilians signed a defense cooperation agreement with France, the same kind of agreement they have refused to act on for several years with the US. Sarkozy also said that protecting the Amazon is a task for all humanity -- this did not create the same furor as it did when an American said something along the same lines.

¶7. (U) This message has been cleared by Embassy Brasilia.

MARTINEZ